

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Galena Territory Utilities, Inc.	:	
	:	10-0280
Proposed general increase in water and	:	
sewer rates. (tariffs filed March 5, 2010)	:	

ORDER

By the Commission:

I. Procedural History

On March 5, 2010, Galena Territory Utilities Inc. ("GTUI" or the "Company") filed revised tariff sheets in which it proposed a general increase in water and sewer rates to become effective April 19, 2010. The tariff sheets, hereinafter referred to as its "Filed Rate Schedule Sheets," were identified as Ill. C. C. No. 1, Fourth Revised Sheet No. 1, and Ill. C. C. No. 3, Fifth Revised Sheet No. 1.

On April 7, 2010, the Commission entered an Order suspending the Filed Rate Schedule Sheets up to and including August 1, 2010. On July 28, 2010, the Commission resuspended the Filed Rate Schedule Sheets up to and including February 1, 2011.

Notice of the proposed increase in water and sewer rates was posted and published in a newspaper of general circulation throughout the Company's service area in accordance with the requirements of Section 9-201 of the Public Utilities Act ("Act") and with the provisions of 83 Ill. Adm. Code Sec. 255. Notice of the filing was also sent to GTUI customers with the first billing after the filing.

Leave to Intervene was granted to The Galena Territory Association, Inc. ("Intervenor" or "Property Owners Association".)

Pursuant to notice as required by the law and the rules and regulations of the Commission, a hearing was scheduled in this matter before a duly authorized Administrative Law Judge ("ALJ") of the Commission at its offices in Chicago, Illinois, on September 15, 2010. Prior to hearing, the Company, Intervenor and Staff advised the Administrative Law Judge that they had entered into a stipulation whereby all parties would not object to the admission into evidence of all pre-filed testimony, waive cross-examination, and agreed to present to the ALJ a proposed order in which the Parties would agree to certain issues being resolved based upon Staff's proposed changes. As a result of the Stipulation, the Company offered the testimony of Dmitry Neyzelman,

Regulatory Accountant for Utilities, Inc. ("UI") and its subsidiaries, including GTUI. Staff offered the testimony of the following witnesses: Phillip Rukosuev of the Rates Department, Financial Analysis Division; William R. Johnson of the Water Department, Financial Analysis Division; Mike Ostrander and Burma C. Jones of the Accounting Department, Financial Analysis Division; and Janis Freetly of the Finance Department, Financial Analysis Division. Intervenor offered the testimony of Joe Mattingley, General Manager of The Galena Territory Association, Elizabeth Pryse Mitchell, a resident in the Galena Territory community; and Scott J. Rubin, an independent consultant and attorney. As agreed, all parties waived cross-examination.

Pursuant to the Stipulation the Parties agree that the Revenue Requirement Schedules and adjustment Schedules that are described in and accompany ICC Staff Ex. 11.0, and the water and sewer rates set forth in ICC Staff Ex. 12.0, Schedules 12.1 and 12.2, should be adopted by the Commission. The Stipulation further provides that for purposes of this Docket only that all other outstanding issues have been fully resolved and that no conditions, limitation or requirements shall be adopted or imposed upon any of the parties other than those that the record show were recommended by Staff and accepted by the Company. The Parties acknowledged that any resolution of issues raised in the case that is implicit within the agreed-upon revenue requirements and rates is agreed for purposes of settlement of this case only in order to conserve resources and reduce uncertainty, and would not bind the Parties in any future consideration of the issues. The Parties waived the filing of post-trial briefs. The Company prepared a Draft Order to which Staff and the Property Owners Association, after reviewing it and suggesting revisions which were incorporated, stated that they had no objection to the entry of an Order incorporating the language of the Draft Order.

II. The Company's Service Areas and the Nature of its Operations

GTUI provides water and sewer service to approximately 2,200 water customers and 800 sewer customers in Jo Daviess County, Illinois. GTUI is a wholly-owned subsidiary of UI, which owns and operates water and/or wastewater systems throughout the United States. Water Service Corporation ("WSC") manages the operations for all of UI's water and sewer systems, including GTUI's water and sewer systems. WSC provides management, administration, engineering, accounting, billing, data processing, and regulatory services for the utility systems. WSC's expenses are assigned directly to an operating utility, or they are allocated to one or more of the various operating utilities, pursuant to a formula that has been approved by this Commission. GTUI's current water and sewer rate structure was approved pursuant to an order, dated September 2, 1987, in Docket No. 86-0480.

III. Test Year

GTUI's filing is based on a historical test year ending December 31, 2008, with *pro forma* adjustments for known and measurable changes. Neither Staff nor Intervenor challenged the reasonableness of using the year 2008 as a historical test year.

The Commission concludes that the test year ending December 31, 2008, with adjustments for known and measurable changes, is appropriate for the purposes of this proceeding.

IV. Rate Base

In its direct testimony, the Company valued its original cost water and sewer rate bases at \$3,374,176 and \$477,061, respectively, after making *pro forma* adjustments to its original cost rate base for the test year ending December 31, 2008.

Intervenor, in its testimony, proposed reducing the water rate base by \$178,149 and the sewer rate base by \$72,796 to eliminate the allocation by UI to the Company for UI's new accounting and customer service computer systems. This adjustment also would decrease water depreciation expenses by \$25,457 and sewer depreciation expenses by \$10,403.

Staff proposed various adjustments to the Company's *pro forma* rate base, including adjustments to plant in service, accumulated depreciation, deferred charges and working capital. Staff proposed no adjustments to eliminate the allocation for the new accounting and customer service computer systems.

Staff's recommended adjustments are reflected in Appendix A - Water and Appendix B - Sewer, and can be summarized as follows:

- (a) Adjustments to reflect changes in accumulated depreciation, accumulated amortization of contributions in aid of construction and accumulated deferred income taxes through the date of the Company's *pro forma* plant additions in order to prevent a mismatch of 2008 accumulated depreciation with 2009 gross plant resulting in an overstated water and sewer rate base.
- (b) Adjustments to reduce utility plant and related adjustments to accumulated depreciation, accumulated deferred income taxes and depreciation expense for utility plant that has been retired and is no longer used and useful;
- (c) Adjustments to remove deferred charges from rate base because the costs were not incurred in the test year.
- (d) Decreases to reflect the sewer and water working capital which were calculated by the Company using the 1/8th method, to remove real estate taxes where payment is deferred for more than a year and to incorporate the effects of other Staff proposed adjustments to the Company's operating expenses.

With respect to depreciation expense for the test year ending December 31, 2008, the Company proposed moving from composite water and sewer depreciation rates to separate water and sewer depreciation rates for each primary account. (Pet. Ex. 1.0 at 12-13.) Staff witness Johnson reviewed the Company's proposed depreciation rates and proposed adjustments set forth in ICC Staff Exhibit 5.0, Schedules 5.1 and 5.2. The Company agreed with Staff's proposed water and sewer depreciation rate adjustments (Pet. Ex. 2.0 at 10.) The resulting annual water and sewer depreciation expense for the test year ending December 31, 2008 are reflected in Appendix A - Water and Appendix B - Sewer. Staff also recommended that the Commission direct the Company to confer with Staff within six months of the date of the Final Order in Docket No. 10-0110 (one of UI's other subsidiaries, Whispering Hills Water Company) about the best way for UI to update and implement separate depreciation rates by primary account across its Illinois Utilities. The Company agreed to Staff's proposal.

As part of the Stipulation, the Parties agreed that the record supported entering an order using the Company's proposed rate base as adjusted by the Staff.

The Commission adopts the Stipulation and finds that the proposed water and sewer depreciation rates set forth in ICC Staff Exhibit 5.0, Schedules 5.1 and 5.2 are reasonable and should be approved.

The Commission finds that the adjustments to the rate base proposed in Staff's exhibits are supported by the evidence, are reasonable, and should be adopted. Upon giving effect to these adjustments, the rate base may be summarized as follows:

GTUI Approved Rate Base

	<u>Water</u>	<u>Sewer</u>
Gross Plant in Service	\$7,067,497	\$2,295,120
Less: Accumulated Depreciation and Amortization	<u>(\$1,828,464)</u>	<u>(\$711,911)</u>
Net Plant	\$5,239,033	\$1,583,209
Additions to Rate Base		
Working Capital	\$41,347	\$19,178
Adjustments to Rate Base Allocations	\$11,956	\$4,335
Deductions from Rate Base		
Contributions in Aid of Construction	(\$1,707,432)	(\$1,046,650)
Accumulated Deferred Income Taxes	(\$366,469)	(\$127,752)
Rate Base	<u>\$3,218,435</u>	<u>\$432,320</u>

Finally, Staff recommended that the Commission include the following provision in this Order:

IT IS FURTHER ORDERED that the \$2,269,240 original cost of the sewer plant in service for the Company at December 31, 2008, as reflected on the Company's Schedule C, column "Per Books" less GTUI and Staff adjustments, is unconditionally approved as the sewer original costs of plant.

IT IS FURTHER ORDERED that the \$7,028,100 original cost of the water plant in service for the Company at December 31, 2008, as reflected on the Company's Schedule C, column "Per Books" less GTUI and Staff adjustments, is unconditionally approved as the water original costs of plant.

V. Operating Revenues, Expenses, and Operating Income

In its direct testimony, the Company's *pro forma* operating revenues, expenses and income for the test year ended December 31, 2008, were as follow:

Sewer

Operating Revenue:	\$276,468
Operating Expense:	\$233,549
Net Operating Income:	\$42,920
Revenue Change:	\$69,787

Water

Operating Revenue:	\$980,487
Operating Expense:	\$676,924
Net Operating Income:	\$303,563
Revenue Change:	\$443,225

Staff proposed various adjustments to GTUI's *pro forma* operating statements. Staff's adjustments are identified below and are reflected in Appendix A – Water and Appendix B - Sewer:

- (a) An adjustment to disallow increases to expenses that are based on an inflation factor, which is not appropriate pursuant to 8. Ill. Adm. Code 287.40.
- (b) An adjustment to remove the Gross Revenue tax (also known as the Public Utility Fund tax) from the Company's revenue requirement because it is not an actual operating expense of the

utility and should not be included in tariffed rates. Staff recommended that the Company collect the tax as a separate charge on customers' bills when the rates approved in this docket go into effect.

- (c) Adjustments to rate case expenses to remove the costs for a consultant who did not file testimony, remove overlapping costs for WSC employees, reflect a five-year amortization period rather than the three-year period proposed by the Company, and reflect actual costs incurred plus an estimate of costs to complete the case.
- (d) An adjustment to correct the amount of WSC expenses allocated to GTUI.
- (e) An adjustment to Operations and Customer Service Employee Expenses to reflect known and measurable changes to salaries, payroll taxes and benefits subsequent to the test year, and include a correction to the allocation factors for certain employees.
- (f) An adjustment to Corporate Employee Expenses to reflect known and measurable changes to salaries, payroll taxes, and benefits subsequent to the test year and to remove expenses for employees who left the Company subsequent to the test year.
- (g) An adjustment to test year O&M and General Expenses to reflect a more reasonable level of expense based on the five-year average of expenses reported on Form 22ILCC for the years 2004 through 2008.
- (h) An adjustment to income taxes for interest synchronization.
- (i) Adjustments based on the gross revenue conversion factor.

The Commission accepts the Stipulation of the Parties and finds that the adjustments to operating revenues, expenses (including taxes) and utility operating income, as proposed in Staff's exhibits, are supported by the evidence, are reasonable, and should be adopted. In addition, the Commission finds that the amounts of compensation for attorneys and technical experts to prepare and litigate this proceeding, as adjusted by Staff, are just and reasonable pursuant to Section 9-229 of the Act, 220 ILCS 5/9-229.

Upon giving effect to the Stipulation incorporating these adjustments, the Commission concludes that the Company's *pro forma* operating revenues, expenses and income, at the approved rates, for the test year ended December 31, 2008, are as follows and are attached in Appendix A – Water and Appendix B - Sewer, hereto:

Sewer

Operating Revenues	\$234,855
Operating Expenses	<u>\$201,178</u>
Utility Operating Income	\$33,677

Revenue Change	\$27,637
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Water

Operating Revenues	\$827,938
Operating Expenses	<u>\$577,222</u>
Utility Operating Income	\$250,716

Revenue Change	\$289,057
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Finally, Staff recommended that the Petitioner establish written procedures that identify the actions to be taken to check the accuracy of the ERC values that provide the basis for the allocation methodology described in the Service Agreement between the Illinois companies owned by Utilities, Inc. and Water Service Corporation ("WSC"), which was approved by the Commission in Docket 08-0335. All WSC costs that cannot be identified and related to services rendered to a particular operating company are allocated on the basis of an operating company's ERCs compared to all operating companies' ERCs. It is important, therefore, that the ERC values be accurate.

VI. Rate of Return**A. Capital Structure**

Because the Company is a wholly owned subsidiary of Utilities, Inc., Staff proposed using Utilities, Inc.'s capital structure for the year ending December 31, 2008. The capital structure is summarized below:

<u>Component</u>	<u>Ratio</u>
Short term debt	6.24%
Long term debt	49.81%
Common Equity	<u>43.96%</u>
Total	100.00%

B. Embedded Cost of Debt

Staff estimated that the Company's cost of short-term debt is 2.64%. The Company's embedded cost of long-term debt is 6.65%.

C. Cost of Common Equity

Staff recommended a 9.82% cost of common equity for Galena Territory Utilities Inc. Staff measured the investor-required rate of return for UI with the discounted cash flow ("DCF") and risk premium models. DCF and risk premium models cannot be directly applied to UI because its stock is not market-traded. Therefore, Staff applied those models to water utility and public utility samples deemed comparable in risk to GTUI.

1. DCF Analysis

DCF analysis assumes that the market value of common stock equals the present value of the expected stream of future dividend payments to the holders of that stock. Since a DCF model incorporates time-sensitive valuation factors, it must correctly reflect the timing of the dividend payments that a stock price embodies. The companies in Staff's water and utility samples pay dividends quarterly. Staff therefore employed a multi-stage non-constant-growth DCF model that reflects a quarterly frequency in dividend payments.

Staff modeled three stages of dividend growth. The first near-term growth stage is assumed to last five years. The second stage is a transitional growth period lasting from the end of the fifth year to the end of the tenth year. The third, or "steady-state" growth rate, is assumed to begin after the tenth year and continue into perpetuity.

For the first stage, Staff used market-consensus expected growth rates published by Zacks as of February 2, 2010. To estimate the long-term growth expectations for the third, steady-state stage, Staff used the implied 20-year forward U.S. Treasury rate in ten years, 5.05%. The growth rate employed in the intervening, five-year transitional stage equals the average of the Zacks growth rate and the steady-state growth rate. The growth rate estimates were combined with the closing stock prices and dividend data as of February 2, 2010. Based on these growth assumptions, stock price, and dividend data, Staff's DCF estimate of the cost of common equity was 9.61% for the water sample and 10.83% for the utility sample.

2. Risk Premium Analysis

According to financial theory, the required rate of return for a given security equals the risk-free rate of return plus a risk premium associated with that security. Staff used a one-factor risk premium model, the Capital Asset Pricing Model ("CAPM"), to estimate the cost of common equity.

The CAPM requires the estimation of three parameters: beta, the risk-free rate, and the required rate of return on the market. For the beta parameter, Staff combined adjusted betas from Value Line, Zacks, and a regression analysis to estimate the beta of the water and utility sample. For the water sample, the average Value Line, Zacks, and regression beta estimates were 0.70, 0.60, and 0.55, respectively. For the utility

sample, the average Value Line, Zacks, and regression beta estimates were 0.69, 0.63, and 0.57, respectively. The Value Line regression employs weekly observations of stock return data while both the regression beta and Zacks betas employ monthly observations. Since the Zacks beta estimate and the regression beta estimate are calculated using monthly data rather than weekly data (as Value Line uses), Staff averaged those results to avoid over-weighting betas estimated from monthly data in comparison to the weekly data-derived Value Line betas. Staff then averaged the resulting monthly beta with the Value Line weekly beta, which produced a beta of 0.64 for the water sample and 0.64 for the utility sample.

For the risk-free rate parameter, Staff considered the 0.04% yield on four-week U.S. Treasury bills and the 4.60% yield on thirty-year U.S. Treasury bonds. Both estimates were measured as of February 2, 2010. Forecasts of long-term inflation and the real risk-free rate imply that the long-term risk-free rate is between 4.3% and 5.0%. Staff concluded that the U.S. T-bond yield is currently the superior proxy for the long-term risk-free rate.

Finally, for the expected rate of return on the market parameter, Staff conducted a DCF analysis on the firms composing the S&P 500 Index. That analysis estimated that the expected rate of return on the market was 12.12% for the fourth quarter of 2009. Inputting those three parameters into the CAPM, Staff calculated a cost of common equity estimate of 9.41% for both the water sample and the utility sample.

To assess whether the cost of common equity had significantly changed since Staff performed the cost of common equity analyses presented in Dockets 09-0548 and 09-0549 (Cons.) and 10-0110, Staff updated those analyses to reflect market data from June 9, 2010. The updated investor required rate of return on common equity for Petitioner was 9.60%. Since the updated cost of common equity differed only 22 basis points from the original cost of common equity, Staff recommended the Commission authorize the same 9.82% cost of common equity for Petitioner that Staff recommended for its sister companies in Dockets 09-0548 and 09-0549 (Cons.) and 10-0110. (*Id.* at 30-31.)

3. Staff Cost of Equity Recommendation

Staff estimated the investor-required rate of return on common equity for the water sample of 9.51% by taking the simple average of the DCF-derived results (9.61%) and the risk-premium derived results (9.41%) for the water sample. (Staff Ex. 3.0, p. 30). Staff estimated the investor-required rate of return on common equity for the utility sample of 10.12% by taking the simple average of the DCF-derived results (10.83%) and the risk-premium derived results (9.41%) for the utility sample. The investor required rate of return on common equity for GTUI, 9.82%, is based on the average for the water and utility samples.

D. Commission Analysis and Conclusions

The Commission finds the Stipulation reasonable and the Commission concludes the Company's cost of equity capital is 9.82% and its overall cost of capital is 7.79% as proposed in Staff's exhibits.

The cost of capital is summarized as follows:

<u>Source of capital</u>	<u>Amount</u>	<u>Percentage</u>	<u>Cost</u>	<u>Weighted Cost</u>
Short-term debt	\$22,380,391	6.24%	2.64%	0.16%
Long-term debt	\$178,726,842	49.81%	6.65%	3.31%
Common Equity	<u>\$157,737,014</u>	<u>43.96%</u>	<u>9.82%</u>	<u>4.32%</u>
Total	\$358,844,247	100.00%		7.79%

VII. Rate Design/Tariff Terms

A. Rate Design and Billing Cycle

The Company's present water rate structure consists of a minimum monthly charge that is billed quarterly and includes the first 3,000 gallons of usage and a single block usage charge per 1,000 gallons for all additional usage. The Company proposed to replace the current minimum bill structure with a separate Base Facilities Charge based on American Water Works Association meter factors and a single block usage charge that covers all water consumption and to switch from the current quarterly billing cycle to a monthly billing cycle. Staff found the Company's rate design proposal reasonable, but recommended the Commission set the rates based upon Staff's proposed revenue requirement, by multiplying the Company's proposed customer and usage charges by the ratio of Staff's proposed revenue requirement to the Company's proposed revenue requirement across-the-board. After the Company adjusted its pro forma present test year consumption to include unbilled usage identified in the response to an Intervenor data request, Staff provided revised proposed water rates that reduced the usage charge. Based on a review of the reasons provided by the Company for the change, Staff witness Rukosuev recommended that the Commission approve the Company's proposed monthly billing cycle.

For sewer rates, Staff accepted the current flat fee rate structure utilized by the Company. Staff's proposed sewer rate design included a separate sewer rate for customers using less than 1,000 gallons of water in a billing period, which was based upon the Company's proposed discount methodology and incorporated Staff's revised revenue requirement. Staff recommended that the Commission approve its proposed low usage rate for the Company to comply with the requirement of Section 8-306(h) of the Public Utilities Act to establish a sewer rate applicable to customers who use less than 1,000 gallons of water in any billing period.

The Commission finds the development and design of the rates in the manner recommended by the Stipulation incorporating Staff's recommendations are reasonable and should be accepted.

B. Miscellaneous Fees and Charges

1. After-Hours Call-Out Charge

The Company proposed to establish an After-Hours Call-Out charge as described in Section 4C of the Company Rules, Regulations and Conditions of Service. The Company proposed a minimum rate to be equal to two hours of current labor rate or \$106. For all time accumulated above the two-hour minimum, the Company proposed to bill customers at the rate of \$53 per hour. In response to a Staff data request, the Company documented the average operator overtime costs, customer service costs to process the overtime request, and round-trip mileage to premises. Furthermore, in response to the Staff data request, the Company stated that such a minimum charge would act as a deterrent in instances when a customer calls and requests service to an issue that can be otherwise handled during normal business hours. Staff witness Rukosuev stated the Company had demonstrated the charge is reasonable and recommended approving the After-Hours Call-Out charge.

2. Reconnection Charge

The Company proposed to increase its reconnection charge from \$7 to \$37.50 to recover the current average cost of labor for one hour of employee time to provide the reconnection service. Based on a review of the data provided by the Company, Staff witness Rukosuev determined that the proposed increase is reasonable and recommended the increase be approved.

3. Non-Sufficient Funds Charge

The Company proposed to increase the Non-Sufficient Funds (NSF) Check charge from \$5 to \$25. In direct testimony, Staff witness Rukosuev stated that, based on the information provided, the \$25 NSF charge proposed by the Company is reasonable and should be approved.

4. New Customer Charge

The Company proposed to increase the charge for a new service application from \$12 to \$25. Based on a review of the data provided by the Company, Staff witness Rukosuev determined that the proposed increase is reasonable and recommended the increase be approved.

The Commission finds the rate design principles and cost-of-service methodologies proposed in Staff's testimony, and the development and design of the

rates in the manner proposed by Staff are reasonable. We conclude, therefore, that they should be adopted.

The Commission concludes that the Stipulation incorporating Staff's proposed rates are reasonable and should be approved for GTUI. The Company is directed to file the rates set forth in this Section. The filed tariffs should have an effective date of not less than five (5) business days after the date of filing with the office of the Clerk of the Commission, for service rendered on and after their effective date, with individual tariff sheets to be corrected within that time period, if necessary.

VIII. Findings and Ordering Paragraphs

The Commission, having given due consideration to the entire record herein and being fully advised in the premises, is of the opinion that the Stipulation submitted by the Parties is hereby approved and the Commission further finds consistent with the Stipulation that:

- (1) Galena Territory Utilities Inc. provides water and sewer service within the State of Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (2) the Commission has jurisdiction over the Company and the subject-matter herein;
- (3) the recitals of fact and conclusion reached in the prefatory portion of this Order are supported by the evidence and are hereby adopted as findings of fact;
- (4) a test year ending December 31, 2008 should be adopted for the purpose of this rate proceeding;
- (5) for the test year ending December 31, 2008 and for the purposes of this proceeding, the Company's water rate base is \$3,218,435; and sewer rate base is \$432,320;
- (6) a fair and reasonable rate of return on the Company's rate base is 7.79%; this rate of return reflects a fair and reasonable return on common equity of 9.82%; rates should be set to allow the Company an opportunity to earn that rate of return on its rate base, as determined herein;
- (7) Staff's recommendations with respect to the rate design in this docket should be allowed;
- (8) the Company's rates, which are presently in effect are insufficient to generate the operating income necessary to permit the Company to

earn a fair and reasonable rate of return and those rates should be permanently canceled and annulled as of the effective date of the new tariff allowed in this Order;

- (9) the rates proposed by the Company in this proceeding would produce rates in excess of that which is fair and reasonable; the Company's proposed rates should be rejected and the design of the rates in the manner proposed by Staff is reasonable and should be adopted;
- (10) the Company should be permitted to file new tariff sheets setting forth the rates designed to produce annual water operating revenues of \$827,938 and sewer operating revenues of \$234,855 and revenues will provide the Company an opportunity to produce sufficient utility operating income to provide a return on the Company's rate base of 7.79% consistent with the findings herein;
- (11) the Staff proposed rates contained in Section VII hereto are designed in accordance with the rate design determinations made in the prefatory portion of this Order herein above; the Company should be authorized to file new tariffs setting forth the rates and charges contained in Section VII, effective for all service rendered on and after five (5) business days after filing;
- (12) the proposed water and sewer depreciation rates proposed by Staff (Identified in ICC Staff Ex. 5.0, Schedules 5.1 and 5.2) and agreed upon by the Company are approved;
- (13) the Petitioner shall confer with Staff prior to April 26, 2011 regarding the best way to implement new depreciation rates;
- (14) GTUI shall establish written procedures to check the accuracy of the ERC values that provide the basis for the allocation of WSC costs that cannot be identified and related to services rendered to a particular Utilities, Inc. company;
- (15) the Company shall otherwise perform all actions that this Order requires of it;
- (16) as a stipulated settlement, the findings and conclusions in this Order shall not be binding on any party in any other proceeding.

IT IS THEREFORE ORDERED by the Commission that the tariff sheets proposing a general increase in water and sewer rates filed by Galena Territory Utilities Inc. on March 5, 2010 be, and the same are hereby, permanently canceled and annulled.

IT IS FURTHER ORDERED that the Company file new rate tariffs within five (5) business days of the Order, with an effective date of not less than five (5) business days after the date of filing, except as otherwise authorized by Section 9-201(b) of the Act amended, for service rendered on and after their effective date, with individual tariff sheets to be corrected within that time period if necessary. The rates will be in accordance with Findings and Ordering Paragraphs 10 and 11 and Section VII herein. Said new tariff sheets shall cancel Ill. C. C. No. 1, Fourth Revised Sheet No. 1, and Ill. C. C. No. 3, Fifth Revised Sheet No. 1, in their entirety, with the cancellation date being the same as with the effective date of the new rate tariffs.

IT IS FURTHER ORDERED that the \$2,269,240 original cost of the sewer plant in service for the Company at December 31, 2008 as reflected on the Company's Schedule C, column Per Books, less GTUI and Staff adjustments, is unconditionally approved as the sewer original costs of plant.

IT IS FURTHER ORDERED that the \$7,028,100 original cost of the water plant in service for the Company at December 31, 2008, as reflected on the Company's Schedule C, column Per Books, less GTUI and Staff adjustments is unconditionally approved as the water original costs of plant.

IT IS FURTHER ORDERED that GTUI must establish written procedures to check the accuracy of the ERC values that provide the basis for the allocation of WSC costs that cannot be identified and related to services rendered to a particular Utilities, Inc. company.

IT IS FURTHER ORDERED that any petitions, objections or motions made in this proceeding, and not otherwise specifically disposed of herein, are hereby disposed of in a manner consistent with the conclusions contained herein.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code Sec. 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 15th day of December, 2010.

(SIGNED) MANUEL FLORES

Acting Chairman